

Dear friends and fellow shareholders,



During 2008 and 2009 the financial and resource markets experienced unprecedented turmoil. At Manas we were well aware of the building financial risks, and I assure you, we did everything in our power to mitigate them. And though we could never have guessed their extent or severity, I am proud and delighted to report to you that Manas has emerged from the storm largely intact. Our portfolio of exploration projects, for example, has in fact grown remarkably in both size and quality during the past two years. Most notably we completed what I view to be a attractive acquisition in Albania. At the same time we have slashed our costs and added to our strengths by bringing in major partners. This is a strategy we will continue to pursue.

Already signs are emerging that the worst is behind us. When oil rose to a record \$147, consumption collapsed worldwide – in the US oil use plunged by 1 million barrels per day. As consumption declined an epic free-fall in energy prices soon followed. Panic selling engulfed the energy sector and our company's share price was not spared. Since then Oil's price has rallied

defying a nearly unanimous pessimism. Critically I think it is important to note that at oil's current price, many new, projects are being deferred because of poor economics. This reality increases the risk of oil shortages in the future. At the same time the current low oil price is encouraging consumption. In America for example, consumers are actually driving their cars more for the first time since late 2007.

### ***Weathering the storm***

So once again how did our company weather the storm? During most of this period Manas Petroleum's strategy was to finance its growing operations through equity, debt and farming out its various projects. Raising debt and equity became increasingly challenging, however, and in the end, impractical, considering the deteriorating environment.

Fortunately our strategy of farming out our projects appears to be paying off. Because three of our five projects, (which cover around 85% of our work commitments of last year and this year), are farmed out or optioned, most of our costs are in fact paid by our partners. We also aggressively cut our costs as we prepared for the worst. By February 2009, we had reduced our monthly fixed corporate costs by nearly 50%. We have also taken steps to slash our legal and accounting costs.

### ***Evolution or extinction***

Exploration companies have to react and adjust their plans quickly, logically and sometimes radically to market conditions. I believe we have and I assure you we will continue to

do so. For example our most recent initiative has been to avoid the need to raise further capital in the near future. This was accomplished by renegotiating our production sharing contracts with the Albanian and Mongolian governments. The result was the release of US \$3.8 million to our account. Taken together, the consequence is that we are financed throughout 2009 into 2010 at our current rate of expenditures.

### ***The foundation is critical***

As with any giant undertaking the groundwork or foundation is often one of the most critical elements of success, although it can, just as often be the least exciting. I think that during the last five years many critical milestones have been achieved by our team. The first was the acquisition of our Kyrgyz project. The most important was the successful conclusion of Manas Chairman Heinz Scholz's vision, that is the acquisition of the giant Albania oil exploration plays. The most recent was the final ratification of two large exploration blocks in Mongolia. I think it is now safe to say that from this point on the foundation is in place. Our company has 5 major projects with oil resources exceeding 3.6 billion barrels. From here on we will advance to the next most exciting phase of our development. Drilling for oil.

### ***Drilling for oil***

I expect our first wells to be drilled in Kyrgyzstan, as a rig has already been mobilized, and a pad built for the drilling of the North Aizar structure at the Tuzluk license. A second deeper, larger prospect is planned to follow immediately afterwards. Additional

deep high impact wells are planned for early next year. In Albania, blocks A, B, D and E are virtually drill ready. Most critically we recently signed an additional PSC for blocks 2 and 3 in Albania. Block 2 already contains a promising light oil discovery. Work is being done to design a subsequent well to appraise the discovery and discussions are advanced regarding its farmout.

In Mongolia, more groundwork is needed. We have opened an office in Ulaan Batar, the capital of Mongolia and our technical staff has initiated geological and geophysical field work in preparation for a seismic program that is planned for next winter.

### ***I believe the foundation has been laid to build a great company.***

As our history attests we have accomplished a considerable amount in the past years. And despite the extraordinary times we have emerged confident and prepared for the next exciting phase of our company's evolution. Our commitment to the concept of acquiring developing, drilling and finding oil remains as intense as ever. The stage has been set, the foundation laid and I look forward to reporting to our friends, and fellow shareholders our progress in the coming years.



Erik Herlyn  
*Chief Executive Officer*

Baar, Switzerland; May 20<sup>th</sup> 2009